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Trade will be gradually restored as the CCP continues to expand its territory, but in conjunction with this, inflation will set in as it did during the KMT regime. This can be verified by the inflationary trend after the "liberation" of Kuang-chou. The trend has continued unchecked.

According to a neutral observer, the economic stability at the beginning was not due to the efficient work of the Communist authorities. He stated, however, that their anti-inflationary measures, such as the campaign against luxuries, the control of hoarding, and illegal currency exchange, were partially successful.

Another observer stated that the success of the CCP is credited to the natural restoration of the economy and not to the stricter economic control. The CCP authorities themselves are also admitting that the present inflation will continue for some time.

DEFINES "UNIT" OF VICTORY BONDS -- Wen-hui Pao, 6 Jan 50

In the Northeast the commodities upon which the value of the Central People's government Victory Bonds is computed are Kaciliang (kaffir corn), cotton cloth, salt, and coal.

In the rest of the country the commodities are rice, (millet in the T'ien-ching area), flour, white cotton cloth, and coal. The amounts of these commodities combined to make up one unit of the bonds are: rice (millet in T'ien-ching), 6 catties; flour, $1\frac{1}{2}$ catties; cloth, 4 Chinese feet; and coal, 16 catties.

The basis for computation into currency is provided by taking the average wholesale price of these commodities for the cities of Shang-hai, T'ien-ching, Han-k'ou, Hsi-an, Kuang-chou, and Ch'ung-ch'ing. In order to keep up with market fluctuations the People's Bank revises and posts the quotations every 10 days.

The reason given for the use of commodities as the basis for valuation at the time of purchase and for repayment and interest computation is that the people have more confidence in the stability of commodities than of currency.

The use of the average wholesale valuation of the designated commodities for six widely separated cities of the country gives as stable a valuation for currency conversions as could be arranged for the country as a whole. Charging the valuation at 10-day intervals makes possible reporting of the rate to distant places, which would not be practicable for daily quotations.

HONG KONG REMITTANCES RECEIVE PREFERENTIAL TREATMENT -- Wen-hui Pao, 11 Jan 50

In view of the increasing commercial activity between Hong Kong and Kuang-chou, the Chinese government has passed measures designed to facilitate the flow of remittances from the colony to the mainland. Remittances will be converted into jen-min-p'iao (JMP) according to the rate for overseas remittances posted daily by the Bank of China. If the remitter has no immediate need for JMP, he may make a special foreign exchange deposit at the Bank of China and convert it at some future date at the rate prevailing at the time of conversion.

Some people are still unaware of these measures, and are bringing foreign currencies into Kuang-chou illegally on their persons.

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NATIONALIST FUNDS FROZEN -- Hsin-sheng Wan-pao, 11 Jan 50

Financial circles in Hong Kong report that after Britain recognized the Central People's government, the Chinese Communist authorities telegraphed the Hong Kong authorities to freeze all KMT funds in financial institutions, such as banks, postal savings offices, etc. The authorities also froze postal and Central Trust funds of the Nationalists deposited in Shang-hai, the latter amounting to some 200,000 dollars in Hong Kong currency. This stopping of operations has caused considerable inconvenience, and unless the Communist representatives do not quickly take over, there will be trouble.

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